

Message Text

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ACTION ARA-20

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SAM-01 AID-20 COME-00 EB-11 LAB-06 SIL-01 TRSE-00

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E.O. 11652: N/A

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SUBJECT: ECONOMIC ASPECTS OF PERON'S FEB 4 SPEECH

REF: BUENOS AIRES 0906

1. SUMMARY: IN MAJOR ADDRESS TO NATION COVERING FIRST SEVEN MONTHS OF HIS ADMINISTRATION, PERON LAID CONSIDERABLE EMPHASIS ON ECONOMIC ACCOMPLISHMENTS AND PLANS OF GOVERNMENT. HE SAID VERY LITTLE THAT WAS NEW. HE PLACED SOME EMPHASIS ON ENERGY CRISIS AND SAID THAT WITH VOLUNTARY COOPERATION OF ALL ARGENTINES, ARGENTINA WOULD BE ABLE TO AVOID GREAT SACRIFICES. IMPRESSION HE GAVE, AS IN PREVIOUS SPEECHES ON ECONOMIC SUBJECTS, WAS OF LEADER OF GOVERNMENT WHICH HAS INHERITED DISASTROUS ECONOMIC SITUATION FROM PRECEDING GOVERNMENT AND IS STRUGGLING VALIANTLY TO PUT THINGS RIGHT. END SUMMARY.

2. ACCORDING TO PERON, GOA ACCOMPLISHMENTS IN ECONOMIC AREA INCLUDE FOLLOWING: PARTICIPATION OF SALARIED WORKERS IN NATIONAL INCOME UP FROM 33 PERCENT IN MAY TO 43 PERCENT IN DECEMBER, UNEMPLOYMENT DOWN FROM 6.5 PER CENT IN APRIL TO 4.5 PERCENT IN DECEMBER, INFLATION REDUCED FROM 80 PERCENT TO ZERO, RESERVES

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AT \$1,400 MILLION. ALSO INCLUDED AMONG GOA ACCOMPLISHMENTS WAS

APPROVAL OF INVESTMENT PLANS FOR PETROCHEMICALS, STEEL, HOUSING, ETC.

3. PERON EMPHASIZED THAT COMMERCIAL AND ECONOMIC COOPERATION AGREEMENTS WITH CUBA, ROMANIA, CZECHOSLOVAKIA, AND MORE RECENTLY, LIBYA AND SOVIET UNION, SHOW INDEPENDENCE OF GOVERNMENT FROM FOREIGN INFLUENCE. ALSO, ARGENTINA WILL MAKE BEST EFFORT TO ACHIEVE LATIN AMERICAN INTEGRATION WHICH ALWAYS HAS BEEN KEY GOA CONCERN.

4. MAJOR INNOVATION OF SPEECH WAS REFERENCE TO PROMOTION OF IMMIGRATION LOOKING FIRST TOWARD NEIGHBORING COUNTRIES, THEN TOWARD EUROPE. PERON STRESSED ADDITIONAL IMMIGRATION NEEDED TO OFFSET FUTURE LABOR SHORTAGES. NEW COMMISSION TO PROMOTE IMMIGRATION WILL BE INSTITUTED FORTHWITH. PERON ALSO STRESSED NEED FOR CONTROLLING OUTWARD CONTRABAND, WHICH IS DRAINING AWAY ESSENTIAL FOODS AND RAW MATERIALS.

5. REFERRING TO SOCIAL CONTRACT, PERON SAID IT IS NOT STATIC BUT WILL BE READJUSTED "AS OFTEN AS NECESSARY." HE HAD SPECIAL WORDS OF PRAISE FOR UNION ORGANIZATIONS AND LEADERS FOR THEIR COOPERATION IN SOCIAL PACT. PERON STRESSED DYNAMIC NATURE OF CURRENT DEVELOPMENT PROGRAM, CONTRASTED WITH POLICIES OF STABILITY PRACTICED BY "LIBERAL" GOVERNMENTS: STABILITY OF "DEVALUATIONS AGAINST THE PEOPLE," STABILITY OF MISERY AND INFANT MORTALITY, ETC. HOWEVER, HE CAUTIONED THAT TODAY'S WORLD EVENTS SHOW SOCIAL TRANSFORMATION MUST PROCEED SLOWLY TO RECOVER FROM ECONOMIC SITUATION INHERITED FROM PREVIOUS GOVERNMENT. "WHAT HAS BEEN DESTROYED IN 18 YEARS CANNOT BE REBUILT IN FEW MONTHS."

6. CONCERNING THE ENERGY CRISIS, HE SAID THE GOVERNMENT'S MEASURES TO NEUTRALIZE THE EFFECTS OF THE CRISIS WILL, WITH FULL COOPERATION BY ALL ARGENTINES, PERMIT THIS COUNTRY TO ESCAPE THE GREAT SACRIFICES THAT OTHER COUNTRIES ARE HAVING TO MAKE. HE SAID HE HOPED VOLUNTARY COOPERATION BY CITIZENRY IN CUTTING FUEL USE BY 10 PERCENT WOULD SAVE \$600 MILLION WHICH COULD BE USED TO DRILL 600 NEW OIL WELLS IN 1974.

7. COMMENT. AS USUAL, PERON'S SPEECH WAS FULL OF FIGURES WHICH ARE DIFFICULT OR IMPOSSIBLE TO ANALYZE. ALL OF THE INVESTMENTS LIMITED OFFICIAL USE

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OF WHICH HE SPEAKS CERTAINLY CANNOT BE MADE WITHOUT A TREMENDOUS INCREASE IN BOTH FOREIGN AND DOMESTIC INVESTMENT, THE POSSIBLE SOURCES OF WHICH ARE NOT NOW VISABLE. AS USUAL, HE DID NOT ATTEMPT TO SET PRIORITIES AMONG THE MANY MAJOR PROGRAMS WHICH HE LISTED. WHILE IN HIS SPEECH HE SPOKE DISPARAGINGLY OF "IMPROVISATIONS" BY PREVIOUS GOVERNMENTS' PROGRAMS THAT HE PRESENTED CERTAINLY APPEAR TO BE IMPROVISED. HIS COMMENT ABOUT THE "NON-STATIC" NATURE OF THE SOCIAL PACT SEEMS TO FORESHADOW

FURTHER INSTANCES OF WAGE INCREASES WHICH WILL BE BILLED AS "ADJUSTMENTS" NOT JUSTIFYING PRICE INCREASES, RATHER THAN VIOLATIONS OF SOCIAL PACT. PERON'S REMARKS ABOUT CONTROLLING OUTWARD CONTRABAND IS IN LINE WITH THE LATEST CAMPAIGN TO EXPLAIN THE DEVELOPING SHORTAGES TO THE ARGENTINE MAN-IN-THE-STREET. PRICE DIFFERENTIALS OF FOODS AND RAW MATERIALS BETWEEN ARGENTINA AND NEIGHBORING COUNTRIES HAVE, OF COURSE, LED TO ILLEGAL EXPORTS FROM ARGENTINA. HOWEVER, WE BELIEVE THESE HAVE BEEN GREATLY EXAGGERATED TO COVER UP EFFECTS OF PRICE CONTROLS IN BRINGING ABOUT SHORTAGES.

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